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January 7, 2014

TO: Supervisor Don Knabe, Chairman
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Supervisor Michael D. Antonovich

FROM: William T Fujioka
Chief Executive Officer

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FRAUD PREVENTION AND DETECTION MEASURES AND ENHANCEMENTS IN PUBLIC SOCIAL SERVICES PROGRAMS (ITEM NO. 20, OF DECEMBER 3, 2013)

On December 3, 2013, Supervisor Antonovich requested that the Chief Executive Officer (CEO), in conjunction with the Director of the Department of Public Social Services (DPSS), report back on how to enhance fraud detection on the various programs that are offered by DPSS. This report addresses out-of-state benefit usage via Electronic Benefits Transfer (EBT), the methods DPSS currently has in place to detect and prevent out-of-county/state EBT usage fraud, and future plans to enhance the integrity of social services programs.

Fraud in social service programs, while it occurs relatively infrequently, undermines public confidence in government and social service programs. It also impacts the over 2.5 million County residents who legitimately qualify for benefits and services that we provide. DPSS has been working hard to ensure that its programs serve families and individuals who meet eligibility requirements and that the integrity of these programs are prioritized.

DPSS, in collaboration with the California Department of Social Services (CDSS), has the following five measures already in place:

1. CalWORKs and GR Monthly Out-of-State and/or Out-of-County EBT Card Usage

Following concerns relative to the out-of-county Electronic Benefit Transfer (EBT) card usage in 2006, the State and County initiated new procedures to prevent EBT usage fraud. CDSS developed monthly reports from their Statewide Automated Reporting System to provide data for all cases that have utilized 100 percent of their EBT cash and CalFresh benefits outside of California in a given month.

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DPSS' Welfare Fraud Prevention and Investigations (WFP&I) Section tested this data source. Based on the review findings, DPSS implemented a new process and monthly report to investigate those cases where benefits were transacted outside of California. Furthermore, DPSS used this data source to expand beyond the State's Out-of-State transactions and further identify EBT transactions that have occurred outside of Los Angeles County.

DPSS staff utilizes both Out-of-State and Out-of-County reports to contact identified participants for a face-to-face interview to determine continued eligibility. Failure to comply or a move to another State/County results in a case termination.

These strategies have proven beneficial. For the period of January 2012, through October 2013, DPSS terminated **3,143** cases that resulted from the CalWORKs/CalFresh monthly Out-of-State EBT Card Usage Report and follow-up procedures. For the same period, DPSS terminated **8,356** cases that resulted from the monthly GR/CalFresh Out-of-State **and** Out-of-County EBT Card Usage Report and follow-up procedures.

2. CalFresh Trafficking Measures

DPSS and CDSS have worked together to implement the following EBT trafficking prevention measures for the CalFresh Program:

- *CalFresh EBT Trafficking Policy:* An All County Information Notice was released in December 2011 by CDSS to provide policy related to CalFresh trafficking violations, joint collaboration, roles and responsibilities, and referrals and investigations.

Effective September 2012, CDSS began forwarding EBT trafficking alert cases to DPSS for investigation. This process established the criteria for pursuing recipients identified in the trafficking of EBT benefits. As of September 2013, DPSS has aggressively interviewed 139 participants of which 105 (76 percent) acknowledged wrongdoing and signed a Disqualification Consent Agreement, which disqualified them from participating in the CalFresh Program for a period of at least one year.

- *Agreements with Local Prosecuting Agencies:* All County Welfare Departments currently contract with their District Attorney (DA) to prosecute welfare fraud, including CalFresh EBT trafficking.
- *Social Media:* CDSS and DPSS continue to monitor social media sources daily, with extra scrutiny on Craigslist, Facebook and Twitter. Craigslist is immediately notified of trafficking-related postings and has generally cooperated in removing such postings. Screen prints from Craigslist, Facebook and Twitter are forwarded to the County Special Investigative Units for investigation.

- *Excessive EBT Card Replacement:* CDSS approved a process for reducing excessive card replacements. Beginning October 2013, CDSS began issuing warning letters to recipients who have received four or more EBT replacement cards within a four month period. Counties have the option of issuing additional warning letters or referring the case for investigation.

3. Restrictions on which ATMs can accept EBT cards

Executive Order S-09-10, signed by Governor Schwarzenegger on June 24, 2010, imposed tougher restrictions on the use of EBT on California ATMs. The Order required CDSS to deactivate EBT cash access at ATMs located in gaming establishments and adult entertainment businesses. And, in December 2010, CDSS expanded restrictions on EBT cash access at California's ATMs and Point-of-Sale devices located in the following types of business: bail bonds, bingo halls, cannabis shops, cruise ships, gun/ammunition stores, night clubs/saloons/taverns, psychic readers, race tracks, smoking shops, spa/massage salons, and tattoo/piercing shops.

4. Informational Flyers, Notices For Fraud Prevention Awareness

In January 2011, DPSS began mailing out a notice ("Important Information about Electronic Benefit Transfer") to participants. The notice includes information on the deactivation of cash access at all of the aforementioned sites.

CalFresh and CalWORKs applications currently include a notice of penalties for EBT trafficking and Intentional Program Violations. Beginning in February 2013, the Department began distributing an EBT Trafficking flyer that is given to all new applicants during the intake process. Those participants already approved for benefits receive the flyer during their annual recertification process. The flyer explains that EBT trafficking includes instances when benefits are bought, sold and traded for cash and provides the consequences of these violations, as well as where to report fraud.

5. DPSS Welfare Fraud Investigation Section and Reporting

DPSS' WFP&I Section is comprised of three major operations: Early Fraud Investigations, Centralized Investigations, and District Attorney prosecution support in the Criminal Courts Building.

- Early fraud investigative staff, strategically located throughout the Department's 31 District Offices, investigates welfare fraud on new applications prior to benefit issuance and active cases in the initial months after approval.
- Centralized investigators, located at WFP&I headquarters, investigate allegations of historical fraud on both active and closed cases.

- Investigative staff located at Criminal Courts assists Deputy District Attorneys with the filing of criminal charges and the prosecution of individuals who have committed welfare fraud.

The Department's WFP&I Section continues to aggressively investigate all allegations of fraud involving the CalWORKs, CalFresh, Child Care and General Relief programs. The Department also has in place a Central Fraud Reporting and WETIP Hotline for use by the public to report fraud. In collaboration with other agencies, the USDA Office of Inspector General Fraud Line and mailing address are made available to the public.

Planned Program Integrity Efforts by DPSS and CDSS

DPSS plans to enhance the following three (3) efforts to further prevent and reduce fraud:

1. DPSS Data Mining

- The DPSS Data Mining Solution (DMS) provides tools to assist in the detection, prevention, and investigation of fraud in the CalWORKs Stage 1 Child Care program. A Triage team reviews potential fraud alerts created by the DMS tool and determines if a referral to the WFP&I section is needed. The solution is targeted for expansion in March 2014 to include the In-Home Supportive Services program.

2. Increase the Awareness/Information to Participants on Welfare Fraud Prevention

- Beginning in March 2014 DPSS plans to: a) increase the dissemination of flyers and notices to participants to remind them of welfare fraud penalties and how/where to report fraud; b) increase fraud awareness information on the Department's website; and c) send out an Anti-EBT Trafficking Outbound Message via telephone to all DPSS CalFresh participants.

3. Advocacy Efforts

CDSS has confirmed DPSS' participation in the Food and Nutrition Services/Accenture Anti-Fraud Initiative, which is scheduled to kick-off in January 2014. DPSS will be part of the State group that plans for future program integrity efforts.

CDSS plans to implement the following measures to enhance the efforts to prevent and reduce fraud:

- Starting January 28, 2014, CDSS will electronically send quarterly Recipient Trafficking Report Alert referrals results to the federal USDA-FNS. Many alert cases have households identified from multiple counties. This will help FNS track responses from all counties investigating one retailer.
- CDSS is developing educational Anti-EBT Trafficking messages for the EBT card mailer and EBT card sleeve that is issued to all CalFresh recipients. CDSS expects to start providing the sleeves with the Anti-EBT Trafficking message in early 2014.
- CDSS will be implementing stricter guidelines on the issuance of replacement cards. Currently, CDSS issues warning letters to recipients who have requested an EBT replacement card each month for four consecutive months. By April 2014, CDSS will issue warning letters to recipients who have requested an EBT replacement card four times in a twelve-month period. The revised guidelines will be more stringent as EBT replacement cards will be tracked over a longer period of time. For example, if a participant requests an EBT replacement card each month for three consecutive months and four months later requests another replacement card, a warning letter will be sent to the participant. Under the current policy, the scenario in the example would not have generated a warning letter since the replacement EBT cards were only requested for three consecutive months even though an additional request was made four months later.

The CEO will continue to work closely with DPSS to ensure all of the outlined efforts are implemented and that further measures are identified to prevent fraud. We will advise you if there are any significant updates on this issue in the future.

If you have any questions or need additional information, please contact Antonia Jiménez at (213) 974-7365, or via email at ajimenez@ceo.lacounty.gov.

WTF:AJ:SS

LR:cp

c: Executive Officer, Board of Supervisors
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